

Message Text

CONFIDENTIAL

PAGE 01 OECD P 02803 01 OF 03 272249Z
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TO AMEMBASSY LONDON IMMEDIATE

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C O N F I D E N T I A L SECTION 01 OF 03 OECD PARIS 02803

FOR VICE PRESIDENT'S PARTY/UNDER SECRETARY COOPER AND
ASSISTANT SECRETARY HARTMAN

E.O. 11652: GDS

TAGS: OVIP (MONDALE, WALTER F.)

SUBJECT: TRANSMISSION OF BRIEFING MEMORANDUM FOR THE
VICE PRESIDENT ON HIS MEETING WITH OECD
SECRETARY-GENERAL VAN LENNEP

THE FOLLOWING IS TEXT OF MEMORANDUM CHARGE KATZ INTENDS
TO USE IN BRIEFING THE VICE PRESIDENT PRIOR TO HIS
MEETING WITH OECD SECRETARY-GENERAL VAN LENNEP, AT
3:00 PM, JANUARY 28.

1.) IN VAN LENNEP'S VIEW, THE ECONOMIC SITUATION AND
OUTLOOK REQUIRE INTENSIFICATION OF HIGH-LEVEL MULTI-
LATERAL POLICY COORDINATION.

HE IS CONCERNED THAT ECONOMIC GROWTH IN THE OECD
AREA, EVEN WITH THE LATEST ANNOUNCED US, GERMAN, AND
JAPANESE MEASURES, WOULD STILL BRING AGGREGATE GROWTH
TO SOMEWHAT UNDER FOUR PERCENT THIS YEAR, WELL BELOW
THE MODERATE FIVE PLUS PERCENT GROWTH PATH OF THE
COMMON STRATEGY FOR SUSTAINABLE GROWTH ADOPTED BY LAST
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PAGE 02 OECD P 02803 01 OF 03 272249Z

JUNE'S MINISTERIAL MEETING. VAN LENNEP CONSIDERS THE
MAIN PROBLEM TO BE THE INADEQUACY OF GERMAN POLICY.
THE UNEVEN DISTRIBUTION OF THE LARGE OIL DEFICIT, THE
CONTINUING DIVERGENT RATES OF INFLATION AMONG THE WEAK
AND STRONG COUNTRIES AND THE STILL HIGH OVERALL OECD
INFLATION RATE OF 7-1/2 PERCENT, ARE THE OTHER AREAS
DEMANDING DECISIVE INTERNATIONAL ACTION IN HIS OPINION.

VAN LENNEP BELIEVES THESE DEVELOPMENTS THREATEN TO UNRAVEL THE FABRIC OF OUR ECONOMIC SYSTEM, ESPECIALLY BY GROWING TRADE PROTECTION.

2.) THE SOLUTION HE WILL OUTLINE: INTENSIFICATION IS AN INTEGRATED NETWORK OF ECONOMIC POLICY COOPERATION AND COORDINATION, WHICH WOULD BRING TO BEAR GREATER COLLECTIVE INTERNATIONAL DISCIPLINE FOR SOUND NATIONAL POLICIES. IN THIS CONTEXT HE WILL ALSO STRESS TO YOU THE URGENCY AND IMPORTANCE OF EARLY US RATIFICATION OF THE FINANCIAL SUPPORT FUND. VAN LENNEP WILL ALSO EMPHASIZE THE NEED TO MAKE PROGRESS ON A COMMON APPROACH BY THE INDUSTRIALIZED COUNTRIES TO NORTH/SOUTH ISSUES, BOTH CIEC AND LONGER TERM. THE UNITED STATES HAS GIVEN THE OECD THIS TASK.

HE WILL BE INTERESTED TO HEAR FROM YOU THE EARLY THINKING OF THE CARTER ADMINISTRATION ABOUT THESE MATTERS AND THE IMPRESSIONS OBTAINED IN YOUR TRIP THUS FAR. HE WOULD WANT TO HEAR FROM YOU THAT THE NEW ADMINISTRATION WILL EXERCISE LEADERSHIP IN THE HIGH LEVEL BODIES OF OECD IN PURSUING ITS STATED OBJECTIVE OF INTENSIFYING ECONOMIC POLICY COOPERATION. FINALLY, HE WILL WANT TO HEAR OUR THINKING ON THE FORTHCOMING SUMMIT. HE WILL TELL YOU THAT THE OECD CAN MAKE AN IMPORTANT CONTRIBUTION TO PREPARING THE ISSUES FOR THE SUMMIT, ALTHOUGH NOT FORMALLY LINKED TO IT. HE WOULD LIKE ASSURANCE THAT THE U.S. IS CONSIDERING HOW

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PAGE 03 OECD P 02803 01 OF 03 272249Z

ESTABLISHED INSTITUTIONS COULD BEST HELP TO PREPARE FOR THE SUMMIT AND IN TURN BE REINFORCED BY IT.

3.) AT 3:45 P.M., I WILL BRING IN DR. ULF LANTZKE, INTERNATIONAL ENERGY AGENCY EXECUTIVE DIRECTOR. IN THE TEN MINUTES AVAILABLE, LANTZKE WILL STRESS THE IMPORTANCE OF U.S. LEADERSHIP IN MOVING TO FULFILL THE OBJECTIVES OF REDUCED DEPENDENCY OF THE OECD AREA ON IMPORTED OIL.

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PAGE 01 OECD P 02803 02 OF 03 272250Z
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4.) IN THE REMAINING MINUTES, YOU AND VAN LENNEP MIGHT
DISCUSS YOUR RESPECTIVE STATEMENTS TO THE WAITING PRESS.

SUGGESTED TALKING POINTS FOR YOUR PRESS STATEMENT
ARE AS FOLLOWS:

SUGGESTED TALKING POINTS FOR THE VICE PRESIDENT AT THE
PRESS BRIEFING FOLLOWING HIS MEETING WITH OECD
SECRETARY GENERAL EMILE VAN LENNEP.

JANUARY 28, 4:00 P.M.

AS YOU ALL KNOW THIS ADMINISTRATION IS COMMITTED TO
STRENGTHENING INTERNATIONAL ECONOMIC COOPERATION. FOR
THIS REASON I WAS PARTICULARLY PLEASED TO MEET WITH MR.
VAN LENNEP WHO IS THE SECRETARY-GENERAL OF THE TWENTY-
FOUR MEMBER ORGANIZATION FOR ECONOMIC COOPERATION AND
DEVELOPMENT (OECD).

AS WE AND OUR MAIN ECONOMIC PARTNERS HAVE BECOME
MORE AND MORE INTERDEPENDENT THE IMPORTANCE OF THE OECD
HAS GROWN AS A FORUM FOR ECONOMIC POLICY CONSULTATION
AND COORDINATION. THIS IS A ROLE WE SUPPORT.

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PAGE 02 OECD P 02803 02 OF 03 272250Z

THE SECRETARY-GENERAL HAS REVIEWED WITH ME THE
IMPRESSIVE LIST OF ISSUES FACING THE TOP ECONOMIC
POLICY-MAKERS OF THE OECD COUNTRIES. AMONG THESE ARE:

1. ECONOMIC OUTLOOK AND POLICY REQUIREMENTS:

THE SECRETARY-GENERAL REVIEWED THE OECD'S ASSESSMENT OF THE ECONOMIC OUTLOOK FOR THE ORGANIZATION'S MEMBER COUNTRIES IN 1977. I BROUGHT MR. VAN LENNEP UP TO DATE ON THE ADMINISTRATION'S THINKING CONCERNING THE EXPANSIONARY MEASURES WE EXPECT TO IMPLEMENT. WE DISCUSSED THE NEED FOR INTENSIFIED POLICY COORDINATION TO MAINTAIN SUSTAINABLE GROWTH IN THE OECD AREA.

2. TRADE PLEDGE

WE AGREED ON THE VALUE OF THE PLEDGE IN AVOIDING PROTECTIONISM AND HOW THIS MUST CONTINUE TO BE A MAJOR OBJECTIVE OF OECD MEMBER GOVERNMENTS.

3. FINANCIAL SUPPORT FUND

THE SECRETARY-GENERAL STRESSED THE CONTINUED IMPORTANCE WHICH HE ATTACHES TO THE APPROVAL OF THE FINANCIAL SUPPORT FUND WHICH WAS NEGOTIATED IN THE OECD TO PROVIDE A SAFETY NET OF RESOURCES TO COUNTRIES FACING UNUSUAL DIFFICULTIES. THE U.S. HAS NOT YET RATIFIED THE AGREEMENT. I SAID THE NEW ADMINISTRATION IS LOOKING AT THIS NOW AND IS EXPECTED TO TAKE A POSITION SOON ON ITS PASSAGE BY THE CONGRESS. I ASSURED THE SECRETARY-GENERAL THAT HIS VIEWS WOULD BE CAREFULLY CONSIDERED.

4. INTERNATIONAL INVESTMENT AND MULTINATIONAL ENTERPRISES

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PAGE 03 OECD P 02803 02 OF 03 272250Z

WE DISCUSSED THE RECENTLY NEGOTIATED INVESTMENT PACKAGE INCLUDING GUIDELINES FOR MULTINATIONAL ENTERPRISES. AMONG MATTERS WE TALKED ABOUT WAS HOW THESE GUIDELINES

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PAGE 01 OECD P 02803 03 OF 03 272250Z
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MIGHT FACILITATE THE BENEFICIAL ASPECTS OF MNE
OPERATIONS AND MINIMIZE CONCERNS ABOUT THEIR ACTIVITIES.

5. INTERNATIONAL ENERGY AGENCY

IEA EXECUTIVE DIRECTOR ULF LANTZKE TOOK PART IN THIS
PORTION OF OUR TALK. WE DISCUSSED THE NEW, UPDATED
WORLD ENERGY OUTLOOK RELEASED BY THE OECD THIS MORNING.
WE AGREED WE MUST INTENSIFY ACTION TO COUNTERACT THE
ADVERSE TRENDS OUTLINED IN THE OUTLOOK REPORT BY REDUCING
OUR COLLECTIVE DEPENDENCY ON IMPORTED OIL.

6. NORTH-SOUTH RELATIONS

WE DISCUSSED OVERALL ECONOMIC RELATIONS BETWEEN
INDUSTRIALIZED AND DEVELOPING COUNTRIES; WHAT MIGHT BE
DONE TO GET THE DIALOGUE BETWEEN THEM MOVING AGAIN, AND
TO FIND PRAGMATIC SOLUTIONS TO THE REAL PROBLEMS OF
DEVELOPING COUNTRIES.

7. ECONOMIC SUMMIT

FINALLY WE TALKED ABOUT THE PROPOSED SUMMIT MEETING
WHICH WILL TREAT IMPORTANT ECONOMIC POLICY ISSUES, AND
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PAGE 02 OECD P 02803 03 OF 03 272250Z

HOW THE WORK OF THE OECD COULD HELP FOCUS DISCUSSIONS
AT SUCH A MEETING.
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